

CITY OF EDDYVILLE  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

Peak & Gerdes, LLP  
Certified Public Accountants  
1051 Office Park Road  
West Des Moines, IA 50265

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City of Eddyville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John E. Johnston	Mayor	January 1, 2006
Terry Brady	Council Member	January 1, 2006
Kirk Bruce	Council Member	January 1, 2006
Phyllis Kelsey	Council Member	January 1, 2006
Jim Durst	Council Member	January 1, 2008
Dwight Lobberecht	Council Member	January 1, 2008
Mickey A Solano	City Clerk/Treasurer	January 1, 2006
Greg A. Life	Attorney	January 1, 2006

**City of Eddyville**

PEAK & GERDES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1051 OFFICE PARK ROAD  
WEST DES MOINES, IA 50265

(515) 277-3077

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eddyville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Eddyville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eddyville as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2005 on our consideration of the City of Eddyville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 20 and 21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

City of Eddyville, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined as necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eddyville's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP  
Certified Public Accountants

October 20, 2005

## **Basic Financial Statements**

City of Eddyville

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs</b>				
Governmental activities:				
Public safety	\$ 111,070	32,024	5,282	-
Public works	137,370	-	88,468	-
Culture and recreation	54,045	15,166	7,445	8,405
Community and economic development	1,274	-	-	-
General government	74,874	5,195	-	-
Debt service	143,449	-	-	42,337
Total governmental activities	522,082	52,385	101,195	50,742
Business type activities:				
Sewer	128,252	131,634	-	-
Water	112,224	106,268	-	-
Solid waste	50,944	50,558	-	-
Total business type activities	291,420	288,460	-	-
<b>Total</b>	<b>\$ 813,502</b>	<b>340,845</b>	<b>101,195</b>	<b>50,742</b>

**General Receipts:**

Property tax levied for:  
     General purposes  
     Debt service  
 Local option sales tax  
 Grants and contributions not restricted to specific purpose  
 Unrestricted interest on investments  
 Miscellaneous  
 Sale of assets

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
     Streets  
     Debt service  
     Other purposes  
 Unrestricted

**Total cash basis net assets**

See notes to financial statements.



Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(73,764)	-	(73,764)
(48,902)	-	(48,902)
(23,029)	-	(23,029)
(1,274)	-	(1,274)
(69,679)	-	(69,679)
(101,112)	-	(101,112)
(317,760)	-	(317,760)
-	3,382	3,382
-	(5,956)	(5,956)
-	(386)	(386)
-	(2,960)	(2,960)
(317,760)	(2,960)	(320,720)
151,937	-	151,937
83,858	-	83,858
80,142	-	80,142
807	-	807
2,498	7,988	10,486
12,622	2,092	14,714
551	-	551
332,415	10,080	342,495
14,655	7,120	21,775
810,250	597,988	1,408,238
\$ 824,905	605,108	1,430,013
\$ 147,279	-	147,279
9,802	12,000	21,802
302,066	-	302,066
365,758	593,108	958,866
\$ 824,905	605,108	1,430,013

## City of Eddyville

Exhibit B

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue				Debt Service	Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Local Option Sales Tax	Family Resource Center			
<b>Receipts:</b>							
Property tax	\$ 118,879	-	-	-	83,858	33,058	235,795
Other city tax	-	-	80,142	-	-	-	80,142
Licenses and permits	5,195	-	-	-	-	-	5,195
Use of money and property	2,498	-	-	137	-	9,760	12,395
Intergovernmental	12,179	88,468	-	42,200	-	-	142,847
Charges for service	35,459	-	-	-	-	-	35,459
Miscellaneous	23,379	-	-	-	-	974	24,353
Total receipts	197,589	88,468	80,142	42,337	83,858	43,792	536,186
<b>Disbursements:</b>							
Operating:							
Public safety	91,647	-	-	-	-	19,423	111,070
Public works	-	117,734	-	-	-	19,636	137,370
Culture and recreation	54,045	-	-	-	-	-	54,045
Community and economic development	1,274	-	-	-	-	-	1,274
General government	64,602	-	-	-	-	10,272	74,874
Debt service	-	-	-	57,893	85,556	-	143,449
Total disbursements	211,568	117,734	-	57,893	85,556	49,331	522,082
Excess (deficiency) of receipts over (under) disbursements	(13,979)	(29,266)	80,142	(15,556)	(1,698)	(5,539)	14,104
<b>Other financing sources (uses):</b>							
Sale of capital assets	551	-	-	-	-	-	551
Operating transfers in	26,434	66,394	-	-	-	-	92,828
Operating transfers out	-	-	(80,142)	-	-	(12,686)	(92,828)
Total other financing sources (uses)	26,985	66,394	(80,142)	-	-	(12,686)	551
Net change in cash balances	13,006	37,128	-	(15,556)	(1,698)	(18,225)	14,655
Cash balances beginning of year	352,752	110,151	-	46,260	4,444	296,643	810,250
Cash balances end of year	\$ 365,758	147,279	-	30,704	2,746	278,418	824,905
<b>Cash Basis Fund Balances</b>							
Reserved:							
Debt Service	\$ -	-	-	7,056	2,746	-	9,802
Unreserved:							
General fund	365,758	-	-	-	-	-	365,758
Special revenue funds	-	147,279	-	23,648	-	39,693	210,620
Capital projects fund	-	-	-	-	-	199,075	199,075
Permanent funds	-	-	-	-	-	39,650	39,650
Total cash basis fund balances	\$ 365,758	147,279	-	30,704	2,746	278,418	824,905

See notes to financial statements.

## City of Eddyville

Exhibit C

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Sewer	Water	Solid Waste	Total
Operating receipts:				
Use of money and property	\$ -	11,284	-	11,284
Charges for service	131,634	94,984	50,558	277,176
Total operating receipts	131,634	106,268	50,558	288,460
Operating disbursements:				
Business type activities	81,794	88,224	50,944	220,962
Total operating disbursements	81,794	88,224	50,944	220,962
Excess (deficiency) of operating receipts over (under) operating disbursements	49,840	18,044	(386)	67,498
Non-operating receipts (disbursements):				
Interest on investments	1,859	6,129	-	7,988
Miscellaneous	704	1,388	-	2,092
Debt service	(46,458)	(24,000)	-	(70,458)
Total non-operating receipts (disbursements)	(43,895)	(16,483)	-	(60,378)
Excess (deficiency) of receipts over (under) disbursements	5,945	1,561	(386)	7,120
Cash balances beginning of year	276,918	302,105	18,965	597,988
Cash balances end of year	\$ 282,863	303,666	18,579	605,108
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	12,000	-	12,000
Unreserved	282,863	291,666	18,579	593,108
Total cash basis fund balances	\$ 282,863	303,666	18,579	605,108

See notes to financial statements.

City of Eddyville

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

The City of Eddyville is a political subdivision of the State of Iowa located in Monroe, Mahaska, and Wapello Counties. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general governmental services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, City of Eddyville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Area XV Regional Planning Commission, Wapello County Assessor's Conference Board and the Eddyville Development Corporation.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax is used to account for the road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the local sales tax monies received and the related transfers to the funds that spend these monies.

The Family Resource Center Fund accounts for the use payments from the School and the payment of the debt associated with the Family Resource Center.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste program.

C. Measurement Focus and Basis of Accounting

The City of Eddyville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

**(2) Cash and Pooled Investments**

Because the City's depository resolution did not document a deposit amount, it is unclear if the City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the City Library had investments in mutual funds with a fair value of \$103,275. The carrying amount of these investments are unknown. The investments are Category 2 investments in that they are uninsured and unregistered and held by the City Library in its name. The Code of Iowa does not allow the City Library to own these types of investments.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City Library's investment in the mutual fund is unrated.

**(3) Notes and Loans Payable**

Annual debt service requirements to maturity for general obligation notes and revenue notes and loans are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes and Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 75,000	\$ 7,037	\$ 10,621	\$ 1,345	\$ 85,621	\$ 8,382
2007	75,000	3,518	16,095	13,443	91,095	16,961
2008	-	-	10,315	12,651	10,315	12,651
2009	-	-	5,424	12,148	5,424	12,148
2010	-	-	5,682	11,890	5,682	11,890
2011-2015	-	-	32,725	55,135	32,725	55,135
2016-2020	-	-	41,269	46,591	41,269	46,591
2021-2025	-	-	52,048	35,812	52,048	35,812
2026-2030	-	-	65,640	22,220	65,640	22,220
2031-2034	-	-	52,955	5,367	52,955	5,367
Total	<u>\$ 150,000</u>	<u>\$ 10,555</u>	<u>\$ 292,774</u>	<u>\$ 216,602</u>	<u>\$ 442,774</u>	<u>\$ 227,157</u>

The resolutions providing for the issuance of the revenue notes and loans include the following provisions:

- (a) The notes and loans will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and child care center revenue note and loan sinking accounts for the purpose of making the note and loan principal and interest payments when due.
- (c) Additional monthly transfers to the water reserve accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for the annual note principal and interest payments should the sinking accounts have insufficient funds. In addition, monthly transfers shall be made to a child care center reserve account of \$147 per month. This account is also known as the funded depreciation account.
- (d) The charges to consumers for services of the system shall be sufficient in each year for payment of the proper and reasonable expenses of operation and maintenance of the system and for the payment of principal and interest on the revenue note and loan.

**(4) Lease Purchase Obligations**

The City Library is purchasing a copier under a capital lease contract. Future payments in relation to this lease is as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2006	\$ 499	\$ 101	\$ 600
2007	524	76	600
2008	551	49	600
2009	580	20	600
2010	99	1	100
Total	<u>\$ 2,253</u>	<u>\$ 247</u>	<u>\$ 2,500</u>

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2005 was \$10,925, equal to the required contributions for the year.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, holiday and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2005 primarily relating to the General Fund, was \$12,562. The liability has been computed based on rates of pay as of June 30, 2005.

**(7) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005, disbursements in the Public Safety and Debt Service functions exceeded the amounts budgeted.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer To	Transfer From	Amount
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	\$ 66,394
General	Special Revenue: Local Option Sales Tax	13,748
General	Special Revenue: Fire Agency	691
General	Permanent: Cemetery Perpetual Care	664
General	Capital Projects: Library	11,331
Total		<u>\$ 92,828</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.



**(9) Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$531 during the year ended June 30, 2005.

**(10) Industrial Development Revenue Bonds**

The City has issued a total of \$785,411 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**(11) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$16,814.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Required Supplementary Information

City of Eddyville

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts Original	Budget to Net Variance
<b>Receipts:</b>					
Property tax	\$ 235,795	-	235,795	224,020	11,775
Other city tax	80,142	-	80,142	104,766	(24,624)
Licenses and permits	5,195	-	5,195	1,330	3,865
Use of money and property	12,395	19,272	31,667	8,000	23,667
Intergovernmental	142,847	-	142,847	136,655	6,192
Charge for service	35,459	277,176	312,635	315,700	(3,065)
Miscellaneous	24,353	2,092	26,445	32,400	(5,955)
Total receipts	536,186	298,540	834,726	822,871	11,855
<b>Disbursements:</b>					
Public safety	111,070	-	111,070	104,960	(6,110)
Public works	137,370	-	137,370	171,680	34,310
Culture and recreation	54,045	-	54,045	55,050	1,005
Community and economic development	1,274	-	1,274	1,450	176
General government	74,874	-	74,874	78,225	3,351
Debt service	143,449	-	143,449	105,306	(38,143)
Business type activities	-	291,420	291,420	306,200	14,780
Total disbursements	522,082	291,420	813,502	822,871	9,369
Excess (deficiency) of receipts over (under) disbursements	14,104	7,120	21,224	-	21,224
Other financing sources, net	551	-	551	-	551
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	14,655	7,120	21,775	-	21,775
Balances beginning of year	810,250	597,988	1,408,238	1,339,077	69,161
Balances end of year	\$ 824,905	605,108	1,430,013	1,339,077	90,936

See accompanying independent auditor's report.

City of Eddyville

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the City did not amend its budget.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

### Other Supplementary Information

## City of Eddyville

Schedule 1

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	<u>Special Revenue</u>		<u>Permanent</u>	<u>Capital Projects</u>	
	<u>Employee</u>		<u>Cemetery</u>		
	<u>Benefits</u>	<u>Fire Agency</u>	<u>Perpetual</u>	<u>Library</u>	<u>Total</u>
			<u>Care</u>		
Receipts:					
Property tax	\$ 33,058	-	-	-	33,058
Use of money and property	-	691	664	8,405	9,760
Miscellaneous	-	-	974	-	974
Total receipts	33,058	691	1,638	8,405	43,792
Disbursements:					
Operating:					
Public safety	19,423	-	-	-	19,423
Public works	19,636	-	-	-	19,636
General government	10,272	-	-	-	10,272
Total disbursements	49,331	-	-	-	49,331
Excess (deficiency) of receipts over (under) disbursements	(16,273)	691	1,638	8,405	(5,539)
Other financing sources (uses):					
Operating transfers out	-	(691)	(664)	(11,331)	(12,686)
Net change in cash balances	(16,273)	-	974	(2,926)	(18,225)
Cash balances beginning of year	20,966	35,000	38,676	202,001	296,643
Cash balances end of year	\$ 4,693	35,000	39,650	199,075	278,418
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	\$ 4,693	35,000	-	-	39,693
Capital project fund	-	-	-	199,075	199,075
Permanent funds	-	-	39,650	-	39,650
Total cash basis fund balances	\$ 4,693	35,000	39,650	199,075	278,418

See accompanying independent auditor's report.

City of Eddyville

Schedule 2

Schedule of Indebtedness

Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Bonds and Interest Due and Unpaid
General Obligation Notes-									
General Purpose Notes	August 1, 1995	5.4571%	\$ 150,000	45,000	-	15,000	30,000	2,456	-
General Obligation Corporate Purpose Notes	August 14, 2002	4.5000%	300,000	180,000	-	60,000	120,000	8,100	-
Total				\$ 225,000	-	75,000	150,000	10,556	-
Revenue Bonds, Notes and Loans-									
Sewer Bonds	June 7, 1967	4.0000%	\$ 278,000	32,000	-	32,000	-	1,280	-
Sewer Notes	August 1, 1995	5.4625%	125,000	12,500	-	12,500	-	678	-
Waste Revenue Notes	January 6, 1981	5.0000%	203,600	48,485	-	21,575	26,910	2,424	-
Child Care Center Revenue Loan	December 13, 2000	4.7500%	306,500	296,678	-	30,814	265,864	27,079	-
				\$ 389,663	-	96,889	292,774	31,461	-
Lease Purchase Agreement-									
Equipment	August 18, 2004	5.0000%	\$ 2,649	-	2,649	396	2,253	104	-

See accompanying independent auditor's report.



## City of Eddyville

Schedule 3

## Bond and Note Maturities

June 30, 2005

General Obligations Notes					
Year Ending June 30,	General Purpose Notes		Corporate Purpose Notes		Total
	Issued August 1, 1995		Issued August 14, 2002		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2006	5.4571%	\$ 15,000	4.50%	\$ 60,000	\$ 75,000
2007	5.4571%	15,000	4.50%	60,000	75,000
		<u>\$ 30,000</u>		<u>\$ 120,000</u>	<u>\$ 150,000</u>

Revenue Notes and Loans					
Year Ending June 30,	Water Revenue Notes		Child Care Center Revenue Loan		Total
	Issued January 6, 1981		Issued December 13, 2000		
	Interest Rates	Amount	Interest Rates	Amount	
2006	5.00%	\$ 10,621	4.75%	\$ -	\$ 10,621
2007	5.00%	11,152	4.75%	4,943	16,095
2008	5.00%	5,137	4.75%	5,178	10,315
2009	-	-	4.75%	5,424	5,424
2010	-	-	4.75%	5,682	5,682
2011-2015	-	-	4.75%	32,725	32,725
2016-2020	-	-	4.75%	41,269	41,269
2021-2025	-	-	4.75%	52,048	52,048
2026-2030	-	-	4.75%	65,640	65,640
2031-2034	-	-	4.75%	52,955	52,955
		<u>\$ 26,910</u>		<u>\$ 265,864</u>	<u>\$ 292,774</u>

See accompanying independent auditor's report.

## City of Eddyville

## Schedule 4

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Year

2005

## Receipts:

Property tax	\$ 235,795
Other city tax	80,142
Licenses and permits	5,195
Use of money and property	12,395
Intergovernmental	142,847
Charges for service	35,459
Miscellaneous	<u>24,353</u>
Total	<u>\$ 536,186</u>

## Disbursements:

## Operating:

Public safety	\$ 111,070
Public works	137,370
Culture and recreation	54,045
Community and economic development	1,274
General government	74,874
Debt service	<u>143,449</u>
Total	<u>\$ 522,082</u>

See accompanying independent auditor's report.

PEAK & GERDES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1051 OFFICE PARK ROAD  
WEST DES MOINES, IA 50265

(515) 277-3077

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eddyville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 20, 2005. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Eddyville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Eddyville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 and I-B-05 are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eddyville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Eddyville and other parties to whom the City of Eddyville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eddyville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Gerdes, LLP  
Certified Public Accountants

October 20, 2005

City of Eddyville

Schedule of Findings

Year ended June 30, 2005

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-05 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – A listing of delinquent accounts should be prepared on a quarterly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – These procedures have been implemented as recommended.

Conclusion - Response accepted.

City of Eddyville

Schedule of Findings

Year ended June 30, 2005

**Part II: Other Findings Related to Statutory Reporting:**

II-A-05      Official Depositories – A resolution naming official depositories has been approved by the City. However, the deposit resolution did not document the maximum dollar amount which may be kept on deposit.

Recommendation - The City ensure the resolution naming official depositories and the maximum amount that may be kept on deposit, as required by Chapter 12C.2 of the Code of Iowa, are met.

Response - We will implement this recommendation.

Conclusion - Response accepted.

II-B-05      Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-C-05      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05      Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Dwight Lobberecht, Council Member Owner, Tri County Construction	Hauling	\$531

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since total transactions were less than \$1,5000 during the fiscal year.

II-F-05      Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Eddyville

Schedule of Findings

Year ended June 30, 2005

- II-G-05      Council Minutes - Transactions were found that we believe should have been approved in the Council minutes but were not. We noted that some invoices were not approved by the Council.
- Some minutes and related claims were either untimely published or were never published in the newspaper. Chapter 372.13(6) of the Code of Iowa requires that minutes of the proceedings and claims be published within fifteen days of the meeting.
- Recommendation - The City should implement procedures to ensure that all invoices are approved by the City Council. The City should also implement procedures to ensure that all minutes and claims are timely published in the newspaper as required by the Code of Iowa.
- Response - We will implement these recommendations.
- Conclusion - Response accepted.
- II-H-05      Deposits and Investments – As noted at II-A-05 an instance of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy was noted.
- II-I-05      Revenue Bonds and Notes - The City has complied with the provisions of the revenue bond resolutions.
- II-J-05      IRS Form 1099 – We noted an instance in which the City failed to file IRS 1099-Misc Form.
- Recommendation – The City implement procedures to ensure all IRS 1099-Misc Forms are filed in the future.
- Response - We will implement the recommendation
- Conclusion - Response accepted.
- II-K-05      Street Report – The street report filed with the State of Iowa was inaccurate
- Recommendation – The City file accurate street reports in the future.
- Response – The issue in question was corrected in October, 2005.
- Conclusion – Response accepted.
- II-L-05      Compliance Issues – A sales tax refund on a construction project was not applied for from the State of Iowa. A contract could not be located with the firm that exclusively hauls the residential garbage in town. Even though required by City Ordinance, the garbage hauler has not provided proof of insurance to the City. The School rents the daycare building from the City, and the contract with the School requires them to provide proof of insurance with the City. However the School does not provide proof of insurance to the City.
- Recommendation – In the future, the City apply for sales tax refunds for construction projects. In addition, the City should enter into a contract with the garbage hauler, and require them to provide proof of insurance to the City. Also, the School should provide proof of insurance to the City in regards to the daycare building.

City of Eddyville

Schedule of Findings

Year ended June 30, 2005

Response – We will implement this recommendation

Conclusion – Response accepted.

II-M-05

Accounting Records – The City did not establish a separate Special Revenue Fund to account for the collection of local option sales and service tax. Currently, this activity is accounted for in the General Fund. The City did not establish a separate fund for the utility meter deposits. Currently, this activity is accounted for in the Water Fund. Instances were noted where receipts and disbursements were improperly classified on the general ledger.

Recommendation – The City should establish separate funds for the Local Option Sales Tax and the Utility Meter Deposits to properly account for the special requirements for each of these sources of funds. Also, procedures should be implemented to properly classify receipts and disbursements on the general ledger.

Response – We will establish these funds, and properly classify receipts and disbursements on the general ledger.

Conclusion – Response accepted.

II-N-05

Disbursements – Instances were noted where claims were paid from a statement and not an invoice. The Water Department invoices were not consistently cancelled. Checks were not consistently issued in numerical sequence.

Recommendation – The City implement procedures to ensure all claims are paid based on an invoice, all invoices are cancelled when paid, and that checks are issued in numerical sequence.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-O-05

Lease-Purchase Agreement – During the year ended June 30, 2005, the City Library entered into a lease-purchase agreement for the purchase of a copier. However, no evidence could be found that a notice of proposed action or public hearing was held in accordance with the requirements of the Code of Iowa.

Recommendation – The City should consult with legal counsel in relation to the disposition of this matter. In the future, the City Library should implement procedures to ensure the Code of Iowa requirements are met prior to entering into a lease-purchase agreement.

Response – We will consult with legal counsel, and this will be complied with in the future.

Conclusion – Response accepted.

II-P-05

Receipts and Interest – Receipts were not always timely deposited to the bank. At June 30, 2005, the City had over \$900,000 in the bank which was only earning .35% interest. For example, if the City invested in IPAIT or some other investment, currently the City could be earning at least \$1,500 more per month in bank interest.

Recommendation – Receipts should be deposited more timely, preferably daily. Also, excess City funds should be invested in higher interest earning instruments.



City of Eddyville

Schedule of Findings

Year ended June 30, 2005

Response – We will review these recommendations.

Conclusion – Response accepted.

II-Q-05

Payroll – State wages were underreported in some employee W2 forms. I9's and W4's were not on file for some employees. Council members were underpaid based on the requirements of the City Ordinance. Timesheets are not required for some non-exempt employees.

Recommendation – Procedures should be implemented to ensure W2 forms are accurate, Council members are paid according to the City Ordinance, and that I9's and W4's are on file for all employees. In addition, timesheets should be required for all non-exempt employees.

Response – We will review this and take appropriate action.

Conclusion – Response accepted.

II-R-05

Library – The I9's for Library employees were not always complete. The Library does not provide an annual report to the City Council as required by the Code of Ordinances.

Recommendation – The Library implement procedures to ensure all I9's are complete, and an annual report is provided to the City Council.

Response – We will implement this recommendation.

Conclusion – Response accepted.